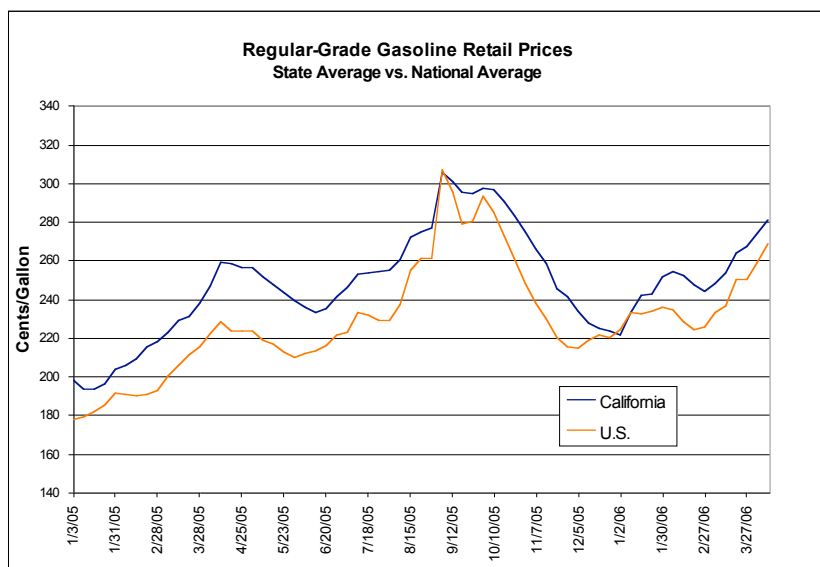
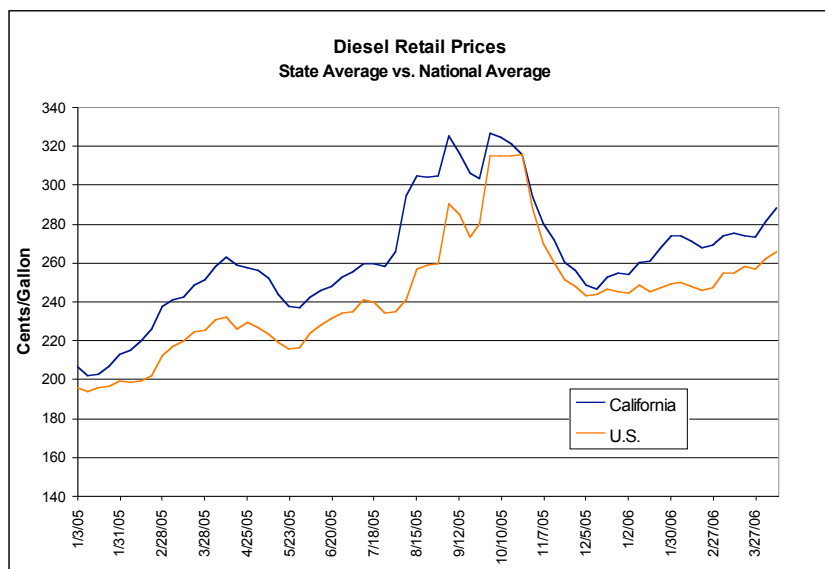


## Retail Gasoline and Diesel Prices on April 10

- The average statewide retail price for regular-grade gasoline rose for the sixth consecutive week to \$2.81 a gallon, almost 7 cents more than last week and 37 cents greater than February 27. The difference between California and U.S. retail prices narrowed to 13 cents per gallon, and the difference for the year-to-date is about 14 cents, compared to 20 cents in 2005.<sup>1</sup>



- Average California retail diesel prices rose 7 cents over the previous week to \$2.88 per gallon, the highest level since October 2005. The difference between California and U.S. retail diesel prices has widened to almost 23 cents per gallon, the third straight week of increases.



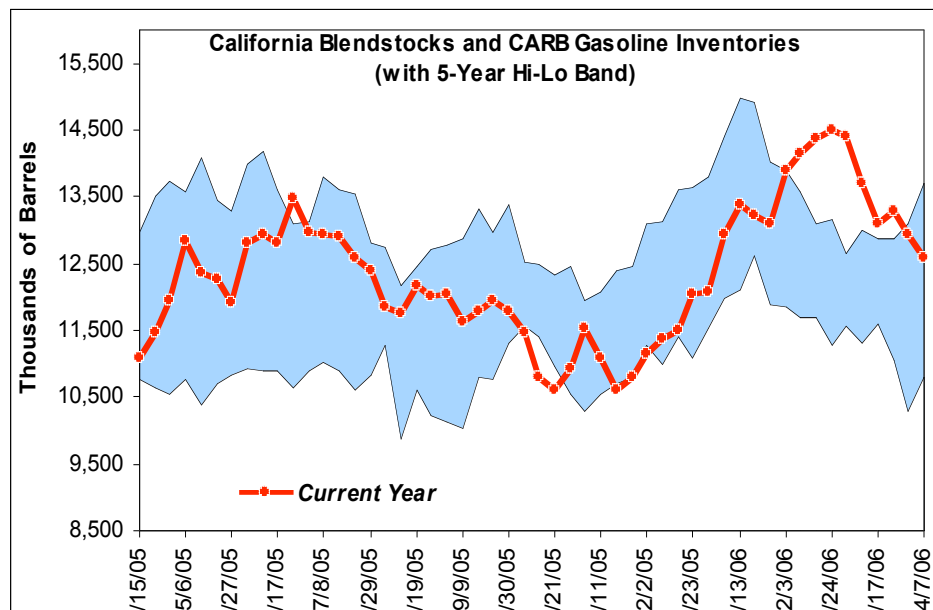
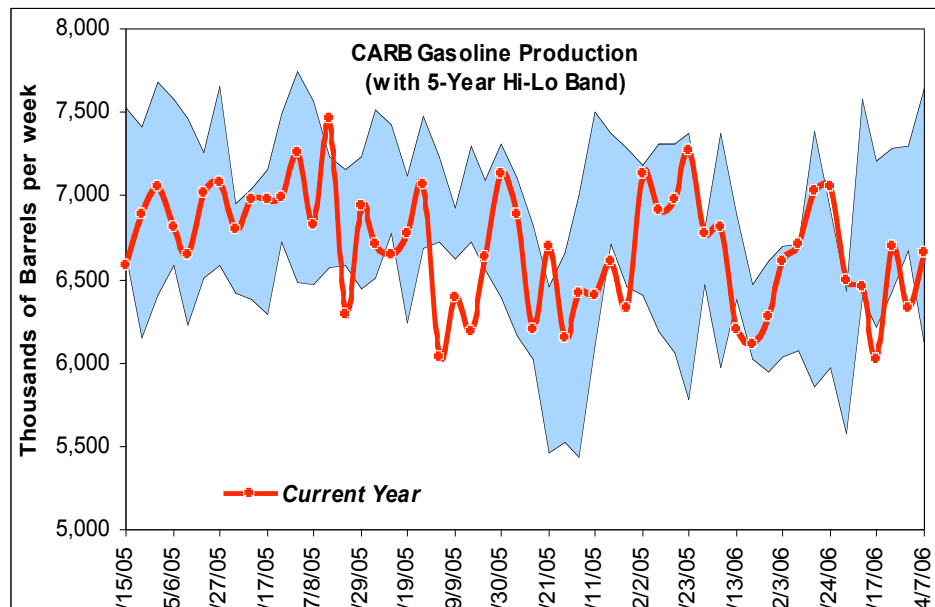
## ***Wholesale Gasoline and Diesel Prices on April 11***

- California spot wholesale reformulated regular-grade gasoline prices have steadily climbed through March and into April, reaching \$2.36 per gallon and approaching levels reached shortly after Hurricane Rita. This is 80 cents greater than the 2006 low of \$1.56 (February 14). Rising crude oil prices are an important factor, but reduced refinery production and falling inventories from planned maintenance and unplanned outages have caused much of the increase. Prices nationally are increasingly sensitive to the impending phase-out of methyl tertiary butyl ether (MTBE) in many areas. Differences between California spot prices and those for reformulated gasoline on the Gulf Coast have grown over the last four weeks to 18 cents more in California compared to 2 cents more on March 15.
- California spot wholesale low-sulfur diesel prices have traded in a much narrower range than gasoline during 2006, but the trend has also been one of steady increases. Prices reached \$2.21 per gallon, 47 cents higher than the 2006 low of \$1.74 on February 15. The California wholesale diesel price has fallen to 12 cents more than New York Harbor and 14 cents more than the Gulf Coast, compared to 17 and 21 cents, respectively, a week ago. The difference between California gasoline and diesel spot prices has grown sharply in the last week from 2 cents more for gasoline as of April 4 to 15 cents currently. The last month has seen the end of the pattern since last year's hurricanes of state diesel spot prices exceeding gasoline.
- The Energy Information Administration weekly assessment for April 7 reports that U.S. gasoline demand increased 2.6 percent from the previous week, while distillate demand jumped 5.7 percent. The latest four-week average demand for gasoline is 9.129 million barrels per day, 0.5 percent more than last year. The four-week average for U.S. distillate demand is 4.116 million barrels per day, down 3.9 percent from last year.

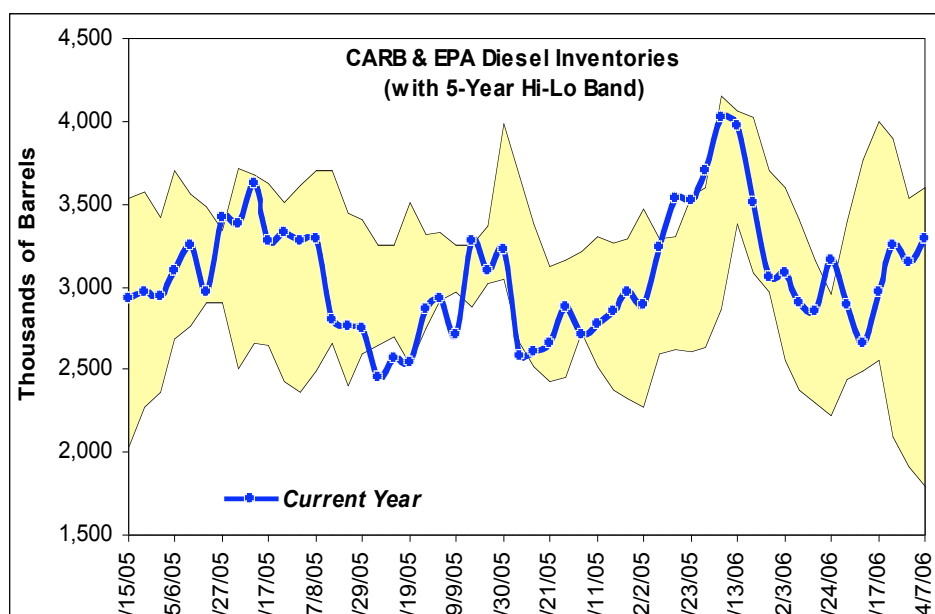
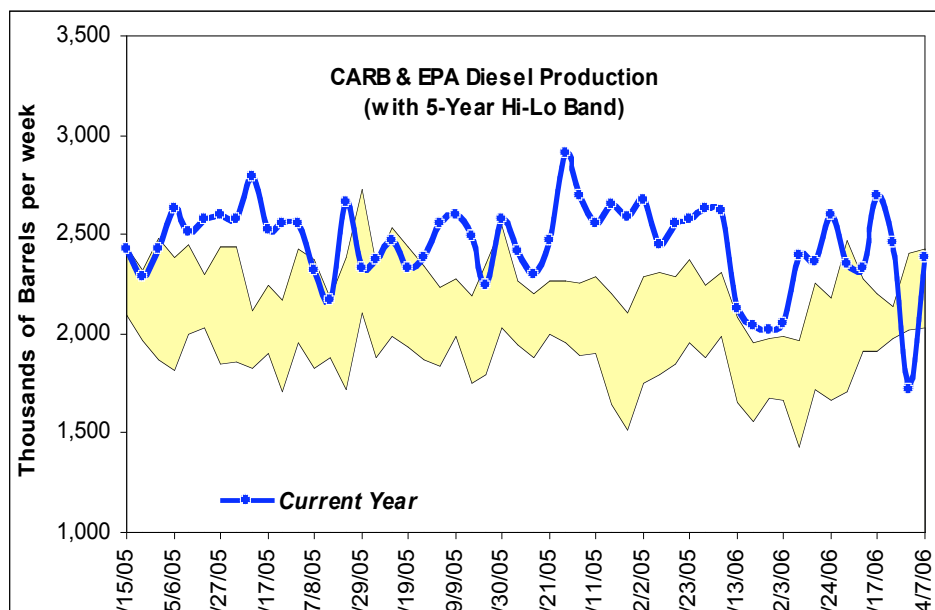
## ***Refinery Production and Inventories***

- Reformulated gasoline production in California during the week ending April 7 increased 5 percent from the previous week to almost 6.7 million barrels. Although considerable refinery maintenance and some unplanned outages are still constraining output and production remains near the lower end of the five-year range, this is still 9 percent more than a year ago.<sup>2</sup>
- California reformulated gasoline inventories were up 3 percent from the previous week, while gasoline blendstock inventories fell by more than 6 percent. Despite refiners having built large stocks in anticipation of the maintenance season, combined inventories of reformulated gasoline and gasoline blendstocks in the state have fallen rapidly over the last six weeks. However, stocks remain in the upper end of the five-year range, 5 percent higher than last year. Meanwhile, U.S. gasoline inventories fell by 3.9 million barrels from the previous week to 207.9 million barrels

as of April 7 on reduced gasoline production due to extensive refinery maintenance programs nationwide.



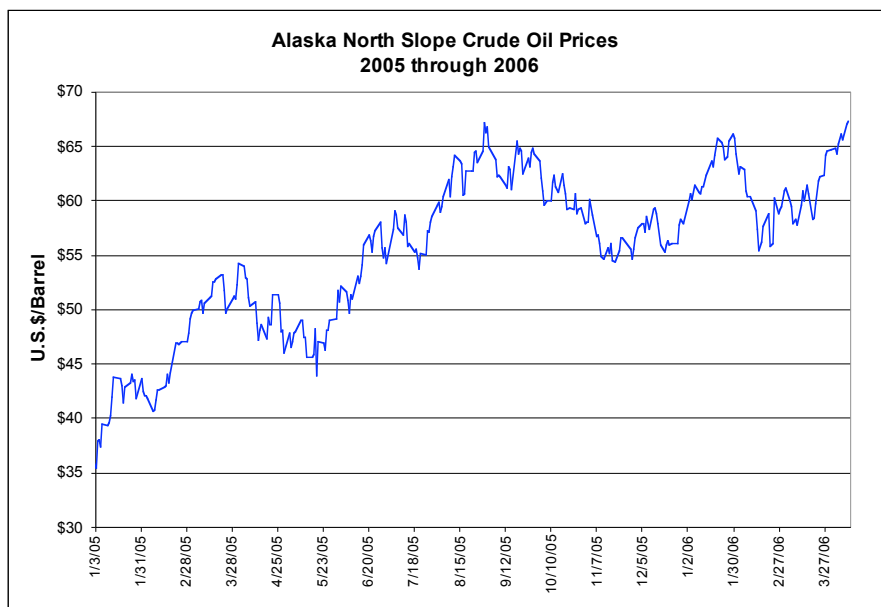
- California production of low-sulfur diesel during the week of April 7, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, jumped 38 percent from the previous week's extremely low levels and returned to the upper end of the five-year range. Combined low-sulfur diesel inventories in the state increased to 3.3 million barrels, more than 4 percent greater than the previous week and nearer the upper end of the five-year range. U.S. distillate inventories dropped sharply from the previous week, declining by 4.2 million barrels to 117.4 million barrels as of April 7, but still 13.4 million barrels more than last year.



### ***Crude Oil Prices and Inventories***

West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, have reached record levels again. A long list of geopolitical concerns continues to push prices up. Iran persists in defying the U.S. and Europe over its nuclear program and claims to have successfully enriched uranium, buoying rumors of preemptive military plans by the U.S., including use of nuclear “bunker buster” bombs. Iraqi exports continue to languish due to sabotage, smuggling, and political stalemate. Protests and strikes have affected oil pipeline operations in Ecuador.

Continuing militant attacks and threats to oil platforms and pipelines have cut oil production by more than 20 percent in Nigeria. Pressures to assert more national control over oil and natural gas production are building in Venezuela, Ecuador, and Bolivia, leading to conflict with foreign oil companies over existing contracts and taxes. Pipeline problems have constrained output from Alaska. These many concerns have pushed ANS prices up from a recent low of \$55.35 on February 15 to \$67.18 as of April 11, a new record high.<sup>3</sup>



- U.S. commercial crude oil inventories have steadily increased to 346 million barrels as of April 7, the highest levels since May 1998. This is 3.2 million barrels more than the previous week, 25.3 million more than last year, and 40.9 million more than the five-year average. Crude oil stocks continue to increase as high futures market prices encourage stock building, crude oil imports remain strong, and refinery runs are down due to extensive maintenance schedules. These factors offset lost oil production along the Gulf Coast from last year's hurricanes.
- The return of offshore crude oil production in the Gulf Coast has slowed in recent months and a substantial amount remains off-line. According to the latest available Minerals Management Service report, as of April 5 almost 23 percent of U.S. Gulf of Mexico offshore oil production, or 340,438 barrels per day, remains shut down from Hurricanes Katrina, Rita, and Wilma. About 144 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, more than 26 percent of annual Gulf of Mexico offshore oil production.

<sup>1</sup> Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

<sup>2</sup> California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>3</sup> ANS crude oil prices are from *The Wall Street Journal*. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.